MASON GRAPHITE INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

Independent auditor's report

To the Shareholders of Mason Graphite Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mason Graphite Inc. and its subsidiary (together, the Company) as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at June 30, 2023 and 2022;
- the consolidated statements of loss and other comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of the investment in associate *Refer to note 2 – Summary of significant accounting policies, note 3 – Critical accounting judgments and estimates and note 6 – Black Swan Graphene Inc. to the consolidated financial statements.* The Company has accounted for its investment in Black Swan Graphene Inc ("New Black Swan") as an investment in associate using the equity method of accounting. As at June 30, 2023, the Company held a 39.04% interest in New Black Swan and the carrying amount of the investment in the associate amounted to $14.3 million. Management assessed at year-end whether there is any objective evidence that its investment in New Black Swan is impaired, which would necessitate an impairment test. Management applies significant judgment in assessing whether indicators of impairment exist at the end of the reporting period, such as changes in graphite prices, changes in exchange rates, and declines in the market capitalization of New Black Swan.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's impairment indicator assessment of the investment in associate, which included: – Assessed the completeness of factors that could be considered as indicators of impairment of the Company's investment in associate, including consideration of evidence obtained in other areas of the audit. – Assessed changes in graphite prices and exchange rates by considering external market data. – Assessed declines in the market capitalization of New Black Swan, which may indicate a decline in value of the Company's investment in associate.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the investment in associate, (ii) the significant judgment applied by management when assessing whether there were any indicators that would require an impairment test to be performed, and (iii) subjectivity in performing procedures to evaluate audit evidence relating to management's impairment indicator assessment.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marc-Stéphane Pennee.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
October 25, 2023

[1] CPA auditor, public accountancy permit No. A123642

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at,	**June 30, 2023**	June 30, 2022
ASSETS		
Current assets		
Cash	**$ 7,581,884**	$ 7,316,990
Sales tax receivables	**215,734**	201,255
Government assistance (Note 4)	**-**	12,394
Prepaid and other receivable	**45,176**	92,395
Assets of subsidiary subject to loss of control (Note 6)	**-**	13,124,328
	7,842,794	20,747,362
Non-current assets		
Investment in associate (Note 6)	**14,011,792**	-
Property, plant and equipment (Note 5)	**5,052,839**	5,695,688
Total assets	**$ 26,907,425**	$ 26,443,050
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**$ 308,874**	$ 178,100
Liabilities of subsidiary subject to loss of control (Note 6)	**-**	99,025
Total liabilities	**308,874**	277,125
EQUITY		
Share capital	**110,305,542**	107,819,916
Reserves	**13,330,449**	13,124,660
Deficit	**(97,037,440)**	(100,469,937)
	26,598,551	20,474,639
Non-Controlling Interest	**-**	5,691,286
Total equity	**26,598,551**	26,165,925
Total liabilities and equity	**$ 26,907,425**	$ 26,443,050

Nature of operations and liquidity risk (note 1)
Subsequent events (note 17)

Approved on behalf of the Board of Directors:

"Peter Damouni"
Director

"François Perron"
Director

The accompanying notes are an integral part of these consolidated financial statements.

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	For the years ended June 30, 2023	2022
Expenses		
Salaries and consulting fees	**$ 1,525,560**	$ 1,329,530
Director fees	**225,423**	190,843
Professional fees	**585,223**	1,057,332
General office expenses	**140,399**	275,199
Travel and accommodation	**109,892**	50,897
Share-based compensation (Note 9)	**205,789**	810,687
Communication and promotion	**56,725**	119,040
Transfer agent and filing fees	**115,459**	159,103
Added-value processing (Note 10)	**145,558**	425,192
R&D expenses	**-**	8,278
Government assistance (Note 4)	**(306,342)**	(215,242)
Care and maintenance for Lac Gueret project	**237,756**	308,470
Gain on sale of equipment	**(174,010)**	-
Impairment of property plant and equipment (Note 5)	**625,000**	-
Depreciation (Note 5)	**17,849**	23,094
Operating net foreign exchange loss (gain)	**536**	(3,240)
Operating loss	**(3,510,817)**	(4,539,183)
Finance income	**265,538**	73,563
Gain on dilution of Black Swan Graphene Inc. (Note 6)	**176,745**	-
Deferred tax recovery (Note 12)	**1,200,000**	-
Share of loss of associate (Note 6)	**(3,834,950)**	-
Net loss from continuing operations (attributable to Company shareholders)	**(5,703,484)**	(4,465,620)
Net income (loss) from discontinued operations (Note 6)	**8,990,159**	(2,918,392)
Net income (loss) and comprehensive income (loss) for the year	**$ 3,286,675**	$ (7,384,012)
Attributable to:		
Company shareholders	**$ 3,432,497**	$ (6,099,920)
Non-controlling interest (Note 6)	**$ (145,822)**	$ (1,284,092)
Net income (loss) per share (Note 11)		
from continuing operations		
- basic and diluted	**$ (0.04)**	$ (0.03)
from discontinued operations		
- basic and diluted	**$ 0.06**	$ (0.01)
Total - basic and diluted	**$ 0.02**	$ (0.04)

The accompanying notes are an integral part of these consolidated financial statements.

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the years ended June 30,	
	2023	2022
	$	$
Cash flows used in operating activities		
Net income (loss) for the year	**3,286,675**	(7,384,012)
Items not affecting cash:		
Share-based compensation	**205,789**	1,824,870
Impairment of property plant and equipment	**625,000**	-
Amortization of intangible assets	**78,827**	551,796
Depreciation	**17,849**	23,094
Gain on deemed disposal of Black Swan Graphene Inc.	**(10,521,572)**	-
Share of loss of associate net of dilution gains	**3,658,205**	-
Gain on sale of equipment	**(174,010)**	-
Changes in non-cash working capital items:		
Sales tax receivables	**(33,739)**	(273,871)
Government assistance	**12,394**	150,308
Prepaid and other receivable	**49,984**	(39,839)
Accounts payable and accrued liabilities	**239,881**	25,105
	(2,554,717)	(5,122,549)
Cash flows from financing activities		
Private placement	**2,485,626**	2,980,085
	2,485,626	2,980,085
Cash flows used in investing activities		
Acquisition of intangible assets	**-**	(5,208,541)
Acquisition of property, plant and equipment	**-**	(1,332,378)
Proceeds from sale of equipment	**174,010**	-
Loss of control of subsidiary	**(3,965,488)**	-
	(3,791,478)	(6,540,919)
Change in cash	**(3,860,569)**	(8,683,383)
Net change in cash classified within subsidiary loss of control	**4,125,463**	(4,125,463)
Cash, beginning of the year	**7,316,990**	20,125,836
Cash, end of the year	**7,581,884**	7,316,990
Cash flows from discontinued operations		
Operating activities	**92,611**	(1,344,771)
Financing activities	**-**	2,980,085
Investing activities	**-**	(5,216,050)

The accompanying notes are an integral part of these consolidated financial statements.

Mason Graphite Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number	**Amount**	**Warrants**	**Broker warrants**	**Options**	**Deficit**	**Total**	**Non-controlling Interest**	**Equity**
		$	$	$	$	$	$	$	$
Balance as of July 1, 2022	**136,292,585**	**107,819,916**	**5,622,949**	**591,458**	**6,910,253**	**(100,469,937)**	**20,474,639**	**5,691,286**	**26,165,925**
Private placement - Common Shares	5,000,000	2,485,626	-	-	-	-	2,485,626	-	2,485,626
Loss of control of subsidiary	-	-	-	-	-	-	-	(5,545,464)	(5,545,464)
Share-based compensation	-	-	-	-	205,789	-	205,789	-	205,789
Net income (loss) and comprehensive income (loss) for the year	-	-	-	-	-	3,432,497	3,432,497	(145,822)	3,286,675
Balance, June 30, 2023	**141,292,585**	**110,305,542**	**5,622,949**	**591,458**	**7,116,042**	**(97,037,440)**	**26,598,551**	**-**	**26,598,551**
Balance as of July 1, 2021	**136,292,585**	**107,819,916**	**5,622,949**	**591,458**	**6,099,566**	**(95,242,007)**	**24,891,882**	**-**	**24,891,882**
Issuance of shares for the acquisition of intangible assets	-	-	-	-	-	(130,052)	(130,052)	3,983,152	3,853,100
Issuance of shares by the subsidiary	-	-	-	-	-	445,300	445,300	2,554,785	3,000,085
Shares issued costs by the subsidiary	-	-	-	-	-	(11,200)	(11,200)	(8,800)	(20,000)
Share-based compensation	-	-	-	-	810,687	567,942	1,378,629	446,241	1,824,870
Net loss and comprehensive loss for the year	-	-	-	-	-	(6,099,920)	(6,099,920)	1,284,092	(4,815,828)
Balance, June 30, 2022	**136,292,585**	**107,819,916**	**5,622,949**	**591,458**	**6,910,253**	**(100,469,937)**	**20,474,639**	**8,259,470**	**28,734,109**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Mason Graphite Inc. ("Mason Graphite" or the "Company") was incorporated on March 15, 2011 under the *Business Corporations Act* (Ontario) and was continued under the *Canada Business Corporations Act* effective March 3, 2016. The Company's head office is located at 3030 Le Carrefour Boulevard, Suite 600, Laval QC H7T 2P5 Canada.

Until the quarter ended March 31, 2020, Mason Graphite was engaged in the development of its 100% owned Lac Guéret graphite property located in Québec, Canada. Substantially, all of the Company's efforts were devoted to financing and developing this property. On May 15, 2023, Nouveau Monde Graphite Inc. and Mason Graphite entered into an agreement with a joint venture option on Lac Guéret graphite property.

On October 26, 2022, the Company announced that it had completed its change of business from a "Tier 2 mining issuer" to a "Tier 2 investment issuer" pursuant to Policy 5.2 – Changes of Business and Reverse Takeovers of the TSX Venture Exchange which was approved at the special meeting of shareholders of the Company held on July 14, 2022.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the most recent reporting period.

As of June 30, 2023, the Company had a working capital of $7,533,920, an accumulated deficit of $97,037,440 and a net loss from continuing operations of $5,703,484 for the year ended June 30, 2023. Working capital included a cash balance of $7,581,884.

Management believes that the Company has sufficient funds to meet its obligations, operating expenses and some development expenditures of the value-added graphite product for the next 12 months. Should it become required to obtain additional financing, the Company can raise funds in various ways, including through strategic partnerships, joint venture agreements, debt project financing or other options offered by financial markets. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on October 25, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's audited consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements to both reporting periods.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Scope of consolidation

The consolidated financial statements of the Company include the accounts of the parent company and its subsidiary. The parent company controls a subsidiary when it is exposed or entitled to variable returns because of its connection to the subsidiary and is able to directly influence these returns because of its power over the subsidiary. All transactions and balances between group companies are eliminated on consolidation, including unrealized gains and losses on transactions between group companies. The amounts presented in the financial statements of the subsidiary have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Company.

Gains and losses as well as other comprehensive income (loss) of subsidiaries acquired or sold during the period are recognized from the effective date of the acquisition, or until the effective date of the sale, depending on the case.

Subsidiary company

Information on the Company's subsidiary:

67% owned as of September 30, 2021
56% owned subsequent to November 8, 2021 until loss of control on August 2, 2022

SUBSIDIARY NAME	MAIN ACTIVITY	COUNTRY OF CONSTITUTION
Black Swan Graphene Inc.	Graphene technology development	Canada

Non-Controlling interests

Non-controlling interests represent equity interests in the subsidiary held by external parties. The share of the net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net income is recognized directly in equity even if the balance of income from non-controlling interests shows a loss. The Company treats transactions concluded with holders of non-controlling interests on the same basis as transactions in equity instruments. Changes in the parent company's interests in the subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transaction fees

Transaction costs related to financial assets at amortized cost are recorded as an increase in the carrying amount of the asset while transaction costs related to financial liabilities at amortized cost are recorded as a reduction of the carrying amount of the liability. They are then recognized over the expected lifespan. Transaction costs include fees and commissions paid to agents, advisers, and brokers, amounts levied by regulatory agencies and stock exchanges as well as transfer duties and taxes. Transaction costs do not include the premium for debt redemption or issuance, financing costs, internal administration costs, or carrying costs.

Cash

Cash consists of deposits held with banks.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets that are acquired separately are initially recorded at cost. The cost of intangible assets acquired in a business combination is recognized at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if applicable. The useful life of intangible assets is assessed as being either finite or indefinite.

Fixed-life intangible assets are amortized over their useful life and are tested for impairment whenever there is any indication that the intangible asset may have depreciated. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each closing date. Changes in the expected useful life or in the consumption of future economic benefits of the asset are considered to be factors modifying the depreciation period or method, if any, and are treated as changes in accounting estimates. Depreciation expense for finite life intangible assets is recognized in the consolidated statements of net income and comprehensive income.

Identifiable intangible assets are recorded at cost and are amortized using the following method and useful lives:

Patents	Linear	10 years

Foreign currency

The Company’s functional and presentation currency is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at the statement of financial position date. Exchange differences are recognized in expenses in the period in which they arise.

Property, plant and equipment

Property, plant and equipment (“PP&E”) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary to put the asset into use, as well as the future cost of dismantling and removing the plant and associated infrastructure and restoring and rehabilitating the land on which it is situated. When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E. Replacement cost, including major inspection and overhaul expenditures are capitalized as components of PP&E, which are accounted for separately.

Depreciation is provided on PP&E at the commissioning. Depreciation is calculated so as to write off the cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. IT equipment is depreciated using the straight-line method over its useful life which is between 3 and 10 years.

Capitalized costs, including certain mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related PP&E, are capitalized and proceeds from sales during this period are offset against capitalized costs. Upon completion of construction, mining property under development are amortized on a unit of production basis, which is measured by the portion of the mine’s economically recoverable and proven ore reserves produced during the period. Impairment is tested in the same way as other non-financial assets.

Impairment is tested in the same way as other non-financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amounts of the Company’s non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, an impairment test is performed and the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset’s recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined had impairment not previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

Equity

Common shares are classified as equity.

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs.

For offerings of units consisting of a common share and another equity instrument, the total fair value of the units is allocated between the common share and the other equity instrument based on their relative fair value. Transaction costs directly attributable to the issue of units are allocated between the instruments based on their relative fair values.

When the Company modifies the terms of warrants issued in a private placement, the adjusted measurement adjustment, as a result of the modifications, is recognized in equity (the deficit).

Share-based compensation

The fair value of stock options granted to employees is recognized as an expense or capitalized to PP&E assets, over the vesting period with a corresponding increase in option reserves which is the counterpart. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date on which the goods or services are received.

The fair value is measured at the grant date and is recognized over the period during which the stock options vest. The fair value of options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each statement of financial position date, the amount recognized as an expense or capitalized to PP&E assets is adjusted to reflect the actual number of stock options that are expected to vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from its exercise, are recorded in share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (loss) or in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Income (loss) per share

Basic income (loss) per share is based on the weighted average number of common shares of the Company outstanding during the year. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding share options, convertible debentures, broker warrants and warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

The calculation of income (loss) per share is based on the weighted average number of shares outstanding for each period. Basic income (loss) per share is calculated by dividing the profit or loss of the Company by the weighted average number of common shares outstanding during the year. The treasury stock method is used to determine the dilutive effect of the warrants, broker warrants, share options, and the if-converted method is used for the convertible debentures. Under the treasury stock method, when the Company reports a loss, the diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of the outstanding warrants, broker warrants and share options. Under the if-converted method, the convertible debentures are assumed to be converted at the later of the beginning of the year and the time of issuance and the loss is adjusted for transaction costs, interest accretion and the fair value fluctuation of the embedded derivatives.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expires.

Financial Assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets in the following measurement categories:

- measured subsequently at amortized cost; and
- measured subsequently at fair value (either through other comprehensive loss, or through net loss).

For investments in debt instruments, the classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified method permitted by IFRS 9 to trade receivables which requires the recognition of expected losses over the life of the accounts as of the initial recognition of these receivables. The Company assumes that there is no significant increase in credit risk for instruments with low credit risk.

Financial Liabilities

Financial liabilities are initially recorded at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

Associates are entities over which the Company has significant influence, but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. The financial results of the Company's investments in its associate are included in the Company's results according to the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of profits or losses of its associate after the date of acquisition. The Company's share of profits or losses is recognized in the statement of income (loss) and comprehensive income (loss), and its share of other comprehensive income or loss of its associate is included in other comprehensive income or loss. Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in the associate are recognized in the statement of loss and comprehensive loss.

The Company assesses at each year-end whether there is any objective evidence that its investment in its associate is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the statement of income (loss) and comprehensive income (loss).

Government assistance and Scientific Research and Experimental Development ("SR&ED") tax credit

The Company periodically receives financial assistance under government incentive programs and SR&ED tax credit. Government assistance is recognized initially when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the assistance. Assistance that compensates the Company for expenditures incurred is recognized against expenditures incurred on a systematic basis in the same periods in which the expenditures are incurred.

Tax credit related to resources and mining tax credit

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred. The refundable tax credit is recognized against the expenditures incurred.

Segment disclosures

The Company operates in a single segment focused on the extraction and processing of graphite products. All of the Company's activities are conducted in Canada.

Provisions

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of income (loss) and comprehensive income (loss), net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are recognized as rights-of-use assets (presented in other non-current assets in the statement of financial position), with a corresponding liability to the date on which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the cost of financing. The cost of financing is charged to profit or loss over the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter period between the useful life of the asset and the term of the lease.

Non-current assets (or disposal groups) of subsidiary subject to impending loss of control and discontinued operations

Non-current assets (or disposal groups) are classified as subsidiary subject to impending loss of control if their carrying amount will be recovered principally through a loss of control rather than through continuing use and the loss of control is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified assets from subsidiary subject to impending loss of control. Interest and other expenses attributable to the liabilities of a disposal group classified as subsidiary subject to impending loss of control continue to be recognised.

Non-current assets classified as subsidiary subject to impending loss of control and the assets of a disposal group classified as subsidiary subject to impending loss of control are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as subsidiary subject to impending loss of control are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as subsidiary subject to impending loss of control and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to, the following:

i) Impairment of non-financial assets

Asset groups are reviewed for an indication of impairment or reversal thereof at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment are the following: very negative trends in the industry or economic conditions, including changes in graphite prices, changes in exchange rates, changes in mineral reserves, changes in graphite grade or recovery, and/or declines in market capitalization of the Company or its investment in associate. Opposite factors may lead to a reversal of a prior impairment.

ii) Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate, which is at least, but not limited to twelve (12) months from the end of the reporting period.

iii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets that could be recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within its control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each the end of the reporting period.

The determination of income tax expense and deferred income tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities and interpretations of laws in Canada, including the rules and laws related to flow-through share financings. The Company is subject to assessments by tax authorities that may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred income taxes or the timing of tax payments.

(Expressed in Canadian Dollars, except where noted)

4. GOVERNMENT ASSISTANCE

In December 2019, the Company finalized a contribution agreement with the Ministry of Energy and Natural Resources represented by its Support Program for Research and Innovation in the Mining Sector (PARIDM) in order to financially assist the Company in order to characterize mine waste rock and validate deposition scenarios with amendments in order to prevent acid mine drainage (AMD).

In October 2019, the Company finalized a contribution agreement with the Ministry of Energy and Natural Resources represented by its PARIDM in order to provide financial assistance to the Company in the demonstration of the robustness of the process and in the qualification of the products of the process for upgrading the graphite concentrate aimed at the production of materials for anodes.

As part of the contribution agreements, the Company accrued government assistance as detailed below:

	As of June 30, **2023**	2022
Amount received during the year	**$ 318,736**	$ 463,145
Amount recognized in the statement of income (loss) and comprehensive income (loss)	**$ 306,342**	$ 215,241
Amount receivable	**$ -**	$ 12,394

5. PROPERTY, PLANT AND EQUIPMENT

	IT equipment	Production equipment	Construction in progress	Total
	$	$	$	$
Balance, June 30, 2022	**118,747**	**4,951,941**	**625,000**	**5,695,688**
Depreciation	(17,849)	-	-	(17,849)
Impairment	-	-	(625,000)	(625,000)
Balance, June 30, 2023	**100,898**	**4,951,941**	**-**	**5,052,839**
As of June 30, 2023				
Cost	**218,593**	**15,069,570**	**32,469,164**	**47,757,327**
Accumulated depreciation	(117,695)	-	-	(117,695)
Accumulated charge for impairment	-	(10,117,629)	(32,469,164)	(42,586,793)
Net book value	**100,898**	**4,951,941**	**-**	**5,052,839**

	IT equipment	Production equipment	Construction in progress	Total
	$	$	$	$
Balance, June 30, 2021	**141,841**	**4,951,941**	**625,000**	**5,718,782**
Depreciation	(23,094)	-	-	(23,094)
Balance, June 30, 2022	**118,747**	**4,951,941**	**625,000**	**5,695,688**
As of June 30, 2022				
Cost	**218,593**	**15,069,570**	**32,469,164**	**47,757,327**
Accumulated depreciation	(99,846)	-	-	(99,846)
Accumulated charge for impairment	-	(10,117,629)	(31,844,164)	(41,961,793)
Net book value	**118,747**	**4,951,941**	**625,000**	**5,695,688**

(Expressed in Canadian Dollars, except where noted)

6. BLACK SWAN GRAPHENE INC.

On August 26, 2021, the Company acquired a portfolio of patents through its subsidiary Black Swan Graphene Inc. ("Black Swan"), then 66.67% owned. Black Swan's activities constitute a new segment of the Company focused on graphene processing technologies.

The acquisition of the portfolio of patents from Thomas Swan did not meet the definition of a business combination; therefore, the transaction has been accounted for as the acquisition of a group of assets in accordance with IAS 38 Intangible Assets. The total acquisition price was allocated to the assets acquired based on their relative fair value.

The purchase price of the intangible assets was calculated as follows:

Consideration paid

Common shares representing 33.33% interest in Black Swan issued at closing	**$ 3,853,100**
Cash paid to Thomas Swan (1)	**$ 5,216,050**
Transaction fees (2)	**$ 390,127**

Net assets acquired

Intangible assets	**$ 9,459,277**

(1) Including $ 176,350 already paid in Prepayment for the transaction as at June 30, 2021.
(2) Including $ 255,447 already paid in Deferred charges for an upcoming transaction as at June 30, 2021.

On November 8, 2021, Black Swan issued shares to a third party for consideration of $3,000,085, reducing the Company's ownership from 66.67% to 56%. The subsidiary incurred issuance costs of $20,000.

In light of the transaction between Dragonfly Capital Corp. ("Dragonfly") and Black Swan further described below pursuant to which the Company lost control over Black Swan, the latter has been classified as subsidiary subject to impending loss of control as of June 30, 2022 and its results operations were classified as a discontinued operations. The financial position of Black Swan is as follows on these dates:

As at,	**August 1, 2022**	June 30, 2022
ASSETS		
Current assets		
Cash	**$ 3,965,488**	$ 4,125,463
Sales tax receivables	**98,742**	79,481
Government assistance	**9,137**	11,902
	4,073,367	4,216,846
Non-current assets		
Intangible assets	**8,828,655**	8,907,482
Total assets	**$ 12,902,022**	$ 13,124,328
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 208,132**	$ 99,025
Total liabilities	**208,132**	99,025

(Expressed in Canadian Dollars, except where noted)

6. BLACK SWAN GRAPHENE INC. (continued)

The net gain (loss) from discontinued operations is presented below. Black Swan's numbers have been reclassified to match Mason's financial groupings.

	For the period from July 1, 2022 - August 1, 2022	For the year ended June 30, 2022
Expenses		
Salaries and consulting fees	**$ 125,456**	$ 656,801
Director fees	**-**	54,000
Professional fees	**69,642**	333,432
General office expenses	**2,921**	66,414
Travel and accommodation	**12,340**	42,486
Share-based compensation	**-**	1,014,183
Communication and promotion	**15,000**	53,118
Transfer agent and filing fees	**10,122**	-
Services – Thomas Swan	**17,105**	146,162
Amortization of intangible assets	**78,827**	551,796
Operating loss	**(331,413)**	(2,918,392)
Gain on deemed disposal	**10,521,572**	-
Deferred taxes on deemed disposal	**(1,200,000)**	-
Income (loss) from discontinued operations	**$ 8,990,159**	$ (2,918,392)
Attributable to:		
Company shareholders	**$ 9,135,981**	$ (1,634,300)
Non-controlling interest (Note 6)	**$ (145,822)**	$ (1,284,092)

On August 2, 2022, Black Swan closed a Qualifying Transaction with Dragonfly pursuant to the terms of a share exchange agreement dated January 17, 2022 as amended, with Black Swan and its shareholders (the "Transaction"). The Transaction was completed by way of share exchange whereby Dragonfly acquired all of the outstanding common shares in the capital of Black Swan (each, a “Black Swan Share”) from the shareholders of Black Swan.

The $7 million previously raised by Dragonfly through the issuance of subscription receipts were also released to Dragonfly. Following these transactions, the Company received 117,799,982 shares in Dragonfly, now renamed Black Swan Graphene Inc (“New Black Swan”), representing a participation of 41.49% in New Black Swan. The Company has accounted for its participation in New Black Swan as an investment in an associate from the date of the Transaction, using the equity method. The loss of control lead to the recognition of a gain on the deemed disposal of Black Swan amounting to $10,521,572 based on an initial New Black Swan share price of $0.15.

In addition, the 1,225,000 options to purchase Black Swan Shares which were outstanding immediately prior to closing of the Transaction were cancelled and the holders thereof were granted an aggregate of 15,175,000 options to purchase common shares and 7,875,000 restricted share units of New Black Swan, under the terms of an omnibus equity incentive plan which was adopted by the board of directors of New Black Swan immediately after closing the Transaction.

(Expressed in Canadian Dollars, except where noted)

6. BLACK SWAN GRAPHENE INC. (continued)

For the year ended June 30, 2023, the impact of the above changes on the Company's investment in New Black Swan are as follows:

	For the year ended June 30, 2023
Balance, July 1, 2022	**$ -**
Participation in New Black Swan at the time of the Transaction	**17,669,997**
Gain on dilution	**176,745**
Share of loss and comprehensive loss	**(3,834,950)**
Total	**$ 14,011,792**

The following table summarizes, in aggregate, the financial information of New Black Swan. The amounts included in the IFRS financial statements of the associate are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

	As of June 30, 2023 ($)
Cash	6,792,105
Total current assets	7,244,360
Total non-current assets	10,180,798
Total assets	17,425,158
Total current liabilities	410,006
Total non-current liabilities	-
Net assets	17,015,152
Proportion of ownership interest held	39.04 %
Proportion share of net assets	6,642,715
Goodwill	7,354,575
Net carrying amount of investment in New Black Swan	14,011,792

	From August 2, 2022 to June 30, 2023
Loss from continuing operations and total comprehensive loss	$ 9,305,725

As of June 30, 2023, the fair value of the shares of New Black Swan amounted to $21,203,997 (Level 1 measurement).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	As of June 30, **2023**	2022
Trade payables	**$ 110,821**	$ 57,533
Accrued liabilities	**198,056**	120,567
	$ 308,877	$ 178,100

(Expressed in Canadian Dollars, except where noted)

8. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without nominal value which confer to each shareholder the right to vote at any meeting of the shareholders, except at meetings which only holders of special shares are entitled to attend, receive dividends declared by the Company thereon and share the residual property upon dissolution of the Company.

The Company has an unlimited number of special shares without nominal value which include certain rights and privileges. No special shares have been issued.

(b) Share issuances

On July 20, 2022, the Company completed a private placement of 5.0 million common shares at a price of $0.50 per share for gross proceeds of $2.5 million.

During the year ended June 30, 2022, the Company did not issue any common shares.

9. STOCK OPTIONS

Mason Stock options

The Company has an incentive stock option plan (the “Plan”) whereby it can grant to employees, directors, officers and consultants’ options to purchase its shares. The Plan provides for the issuance of stock options to acquire a maximum of 13,500,000 of the Company’s issued and outstanding capital. The terms and conditions of each option granted under the Plan will be determined by the Board of Directors. Options will be priced in the context of the market and in compliance with applicable securities laws and exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant. The Board shall determine the vesting period and the term of stock options granted under the Plan, provided that no stock option shall be outstanding for a period greater than ten years.

During the fiscal year ended June 30, 2022, the Company granted 400,000 options to directors, officers, consultants, and employees of the Company. The weighted average fair value of the options granted, as estimated at the time of grant, was $0.34. This value was calculated using the Black-Scholes pricing model and the following assumptions: weighted average exercise price of the options of $0.51 which corresponds to the share price at the time of grant, estimated life of five years, weighted average risk-free interest rate of 0.77%, volatility of 86.7% (based on past volatility of the Company's stock) and expected return on the stock of nil. The vesting periods are from the time of the grant to two years after the grant of options.

The following table reflects the continuity of options for the years ended June 30, 2023, and 2022:

	Number of stock options	Weighted average exercise price ($)
Balance, June 30, 2021	**8,060,000**	**0.620**
Granted	400,000	0.510
Forfeited	(1,168,000)	1.351
Balance, June 30, 2022	**7,292,000**	**0.490**
Expired	(150,000)	1.850
Forfeited	(425,000)	0.460
Balance, June 30, 2023	**6,717,000**	**0.460**

(Expressed in Canadian Dollars, except where noted)

9. STOCK OPTIONS (continued)

As of June 30, 2023, the Company had the following options outstanding:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
January 12, 2026	0.46	2.54	6,317,000	6,317,000
September 2, 2026	0.51	3.18	400,000	266,667
	0.46	**2.58**	**6,717,000**	**6,583,667**

Share-based compensation costs related to Mason for the year ended June 30, 2023, totaled $205,789 (2022: $810,687).

Black Swan Stock options

While it was a subsidiary, Black Swan had a stock option plan (the “Plan”) pursuant to which the Black Swan's Board of Directors could grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option was fixed by the Board of Directors on the date of grant, in accordance with applicable stock exchange or other regulatory requirements, if applicable. The maximum aggregate number of common shares under option at any time under the Plan could exceed 10% of the issued shares.

Below is a summary of changes to stock options for the period ended June 30, 2022, and for the period from July 1, 2022 to August 1, 2022:

	Number of stock options	Weighted average exercise price ($)
Balance, June 30, 2021	**-**	**-**
Granted	1,225,000	1.050
Balance, June 30, 2022 and August 1, 2022	**1,225,000**	**1.050**

All options were exercisable as at June 30, 2022 and August 1, 2022.

On October 25, 2021, a total of 1,050,000 stock options was granted to certain directors, officers, and consultants of the Company with an exercise at a price of $1.00 expiring October 25, 2031. The options have been valued using a Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $0.99 based on the prior private placement price; expected volatility of 83% based on industry comparable entities, and risk-free rate of 1.54%.

On November 12, 2021, a total of 175,000 stock options was granted to certain directors, officers, and consultants of Black Swan with an exercise price of $1.36 expiring November 12, 2026. The options have been valued using a Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $1.36; based on the prior private placement price; expected volatility of 83% based on industry comparable entities, and risk-free rate of 1.54%.

Share-based compensation costs related to Black Swan for the year ended June 30, 2023, totaled $nil (2022: $1,014,183).

(Expressed in Canadian Dollars, except where noted)

10. ADDITIONAL INFORMATION

Value-added graphite products study charges are composed of:

	For the years ended June 30, 2023	2022
Salaries	**$ -**	$ 141,817
Subcontracting costs	**57,701**	226,881
General & office expenses	**62,496**	22,618
Rental	**25,361**	33,876
Total	**$ 145,558**	$ 425,192

11. NET INCOME (LOSS) PER SHARE

	For the years ended June 30, 2023	2022
Weighted average number of common shares	**140,862,894**	136,292,585
Dilutive effect on stock options	**-**	-
Weighted average of diluted common shares	**140,862,894**	136,292,585
Net loss from continuing operations attributable to common shareholders of Mason	**(5,703,484)**	(4,465,620)
Net loss from continuing operations per share – Basic and diluted	**(0.04)**	(0.03)
Net income (loss) from discontinued operations attributable to common shareholders of Mason	**9,135,981**	(1,634,300)
Net income (loss)from discontinued operations per share – Basic and diluted	**0.06**	(0.01)
Net income (loss) attributable to common shareholders of Mason	**3,432,497**	(6,099,920)
Net income (loss) per share – Basic and diluted	**0.02**	(0.04)

Given the net loss from continuing operations, the effect of potential issuances of shares under options would be anti-dilutive for the year ended June 30, 2023 and 2022 and accordingly, all basic, and diluted losses per share are the same.

(Expressed in Canadian Dollars, except where noted)

12. INCOME TAXES

Rate reconciliation

A reconciliation of actual income tax expense and the accounting loss multiplied by the Company's statutory tax rate of 26.5% (2022 - 26.5%) is as follows:

	For the years ended June 30, 2023	2022
Loss before income taxes [1]	**$ (5,703,484)**	$ (4,465,620)
	26.50 %	26.50 %
Expected income tax expense (recovery) based on statutory rate	**(1,511,000)**	(1,183,000)
Non-deductible expenses	**1,014,000**	211,000
Change in unrecognized DITA	**497,000**	972,000
Deferred income tax expense	**$ -**	$ -

(1)

	For the years ended June 30, 2023	2022
Deferred tax on discontinued operations	**$ (1,200,000)**	$ -
Deferred tax on continuing operations	**1,200,000**	-
Net	**$ -**	$ -

Deferred tax assets and liabilities

The tax effects of the following temporary differences have not been recognized in the consolidated financial statements.

	For the years ended June 30, 2023	2022
The following are the temporary differences with no expiring date on which no tax asset has been recognized:		
E&E assets	**$ 27,346,000**	$ 27,866,000
Property, plant and equipment	**39,057,000**	37,740,000
Assets classified within subsidiary subject to impending loss of control	**-**	1,904,000
Research and development expenses	**4,106,000**	4,094,000
Share issue costs	**-**	16,000
	$ 70,509,000	$ 71,620,000

Non-capital losses

As of June 30, 2023, the Company had accumulated non-capital losses for tax purposes which can be used to reduce taxable income in the future amount to approximately $36,489,000 ($34,946,000 as of June 30, 2022).

Non-capital loss carry forwards expiring in:	Federal	Quebec
2034-2043	$ 36,489,000	$ 37,808,000

(Expressed in Canadian Dollars, except where noted)

13. CAPITAL MANAGEMENT

The capital structure of the Company as of June 30, 2023, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

The Company manages and adjusts its capital structure based on available funds in order to identify additional investment opportunities. The Board of Directors reviews, on a regular basis, the financial viability of projects before allocating its capital. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management notes, objectives, policies, and proceedings during 2023 and 2022. Changes in capital are described in the statements of changes in equity.

14. RELATED PARTY TRANSACTIONS

As of June 30, 2023, the balance due to the related parties amounted to $7,508 (as of June 30, 2022: $18,046). The amounts due are mainly directors' fees, do not bear interest, are not guaranteed and are payable on request.

As of June 30, 2023, included in prepaid and other receivables are amounts related to prepayments to related parties of $nil (as of June 30, 2022: $34,177).

	For the years ended June 30, **2023**	2022
Salaries, consulting fees and other benefits	**$ 676,305**	$ 569,403
Severance fees	**-**	109,154
Directors fees'	**224,275**	160,000
Share-based compensation – Management	**44,458**	383,705
Share-based compensation – Directors	**108,064**	396,286
	$ 1,053,102	$ 1,618,548

In accordance with IAS 24 Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company is party to certain management contracts. Minimum commitments under these contracts are approximately $750,000. These contracts require that maximum payments of approximately $925,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

<u>Fair value</u>

The Company has determined that the carrying value of its short-term financial assets and financial liabilities, including cash and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturities.

<u>Credit</u>

The Company's cash is held in accounts with Canadian chartered banks. Management believes that the credit risk with respect to these financial instruments is minimal.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company’s accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital and maintain liquidity (Note 1).

Currency (foreign exchange)

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is limited currency risk at this time.

As of June 30, 2023, the Company maintained minor cash balances in foreign currency. The Company does not have any other monetary assets and liabilities in currencies other than its functional currency.

Interest rate

The Company’s cash balance is subject to interest rate cash flow risk, as it carries a variable rate of interest. The Company’s interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on the cash as of June 30, 2023, an increase (decrease) of 0.5% in interest rates could result in an increase (decrease) in the annual net income of approximately $7,680.

The Company’s accounts payable and accrued liabilities are non-interest bearing.

16. COMMITMENTS

The Company and the Innu Council of Pessamit signed the Mushalakan Agreement in June 2017, an Impact Benefit Agreement ("IBA” for the construction and operation of the Lac Guéret project (Lac Guéret mine and Baie-Comeau concentrator). Under this agreement, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut (members of the Innus of Pessamit community). Additionally, this agreement will allow the Innus of Pessamit to participate in the Project concretely, through contracting opportunities and will ensure fair and equitable financial and socio-economic benefits.

17. SUBSEQUENT EVENTS

On August 1, 2023, the Company announced that it has granted an aggregate of 6,780,000 stock options to directors, members of management, consultants, and employees of the Company pursuant to its stock option plan. Each option will entitle its holder to purchase one common share of Mason Graphite at a price of $0.23 until July 31, 2028.

On October 25, 2023, the Company announced that subsequent to shareholders' approval at the last annual general meeting of shareholders, the Company has officially rebranded as "Mason Resources Inc." to more accurately mirror its evolving aspirations and objectives. It is anticipated that, subject to the approval of the TSX Venture Exchange, trading of the Company's common shares under "Mason Resources Inc." will be effective as of the open of markets on October 27, 2023. The Common Shares will continue to trade under the existing trading symbols, "LLG" and "MGPHF", on the TSX-V and OTCQX, respectively; the new CUSIP and ISIN numbers assigned to the Common Shares are 57532C100 and CA57532C1005, respectively.